

**THE METROHEALTH SYSTEM
BOARD OF TRUSTEES
AUDIT AND COMPLIANCE COMMITTEE
REGULAR MEETING MINUTES**

DATE: Wednesday, March 21, 2018

TIME: 2:00 to 4:00 p.m.

PLACE: MetroHealth Medical Center
K107, Business Services Building

COMMITTEE TRUSTEES: Mr. McDonald, Mr. Monnolly, Mr. Schneider and Dr. Silvers

ADDITIONAL TRUSTEES: Ms. Dee

STAFF: K. Blessinger, A. Boutros, MD, D. Clark, G. Himes, M. Phillips, C. Richmond,
C. Forino Wahl

GUESTS: K. Armul, R. Barre, L. Kalic, J. Mylen (KPMG), J. Croy (RSM)

Mr. Schneider called the meeting of the Audit and Compliance Committee to order at 2:09 p.m. Please note that minutes are written to conform to the printed agenda and are not necessarily in the order of discussion.

- I. The minutes of the regular Audit and Compliance Committee meeting held on December 19, 2017 were approved as presented.

II. INFORMATION ITEMS

Mr. Schneider introduced Lori Kalic, RSM's Lead Audit Partner, who introduced the audit engagement team. Ms. Kalic and Katy Armul, Audit Manager, presented the results of the 2017 Financial audit. Ms. Kalic provided an overview of the scope of audit services performed, noting they were conducted in accordance with Auditing Standards Generally Accepted in the United States of America, Government Audit Standards, and the Uniform Guidance. Ms. Kalic mentioned the Ohio Compliance Supplement and two major programs were audited in accordance with the Uniform Guidance: HIV Emergency Relief Project Grants and Maternal, Infant and Early Childhood Home Visiting Grant Program. RSM audits The MetroHealth System, The MetroHealth Foundation, and the Select Assurance Captive LLC.

Ms. Kalic and Ms. Armul summarized the auditor's professional responsibilities and highlighted the new accounting pronouncements/standards adopted by the System in 2017. Also discussed with the Committee was the audit focused on evaluating the reasonableness of significant accounting estimates made by management and highlighted several of those estimates. Ms. Kalic led discussions around internal controls over financial reporting and compliance – uniform guidance, and noted no deficiencies were identified. Ms. Kalic continued discussion and remarked based on our size and complexity, having no audit adjustments was a significant accomplishment.

Craig Richmond, Executive Vice President, Chief Financial Officer introduced Katherine Blessinger, Assistant Controller, to the Committee. Ms. Blessinger is responsible for the System's Accounting department and leads the accounting and financial reporting functions. In addition, Ms.

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Blessinger plays an integral role with managing the external audit along with Geoff Himes, Vice President of Finance.

A motion was made, seconded and passed to approve the 2017 Audit as presented by RSM.

At this point in the meeting all management left the meeting and the Audit Committee trustees and RSM audit engagement team met for discussion

Mr. Richmond continued the discussion by introducing John Croy, RSM, Senior Director and National Leader of Construction Advisory Services, who provided an update on the construction cost review services currently being performed by RSM.

Mr. Croy proceeded with introducing the RSM engagement team focused on the construction cost review services. Mr. Croy focused first on the close-out stage of the Critical Care Pavilion project. The final payment application for the project is expected to be received this month, and the final review should be completed by April. Mr. Croy then discussed the review services on the broader transformation project which is broken into four sections: preconstruction, monthly monitoring, interim reviews and close-out review. An interim review is being scheduled on the parking garage for May 2018.

Cheryl Forino Wahl, Senior Vice President, Chief Ethics and Compliance Officer, provided an update of the first quarter compliance program activities. Ms. Wahl stated the department follows an annual work plan that covers seven risk domains which includes specific items. There were several major accomplishments in each area of the work plan. Ms. Wahl mentioned that compliance continues to make enhancements to the program and in defining the compliance function, scope and implementing technology. In addition, Compliance is implementing an externally-staffed compliance hotline which will facilitate communication with anonymous reporters and will enable the department to track and trend hotline data. Ms. Wahl also noted the restructuring of the MetroHealth Compliance Committee to include a cross section of operational leaders. Each area has established a monitoring and educational goal that addresses regulatory risk.

Jim Mylen, Partner with KPMG Advisory Services, serves as MetroHealth's Director of Internal Audit and provided the committee with the Internal Audit update for the first quarter of 2018. Mr. Mylen introduced Robin Barre, KPMG, Director, who joined the Internal Audit team. Mr. Mylen proceeded with providing an update on the 2018 Internal Audit Plan and an overview of the two reports that were issued during the first quarter. He also presented updates on the five audits that are underway and the planning for the 2018 second quarter internal audits. Internal Audit also plans on implementing a Sarbanes-Oxley lite program during the year by helping management implement procedures designed to support the financial reporting process on a quarterly basis. As risks associated with use of third parties continues to increase, internal audit will help management evaluate controls performed by third parties by obtaining and evaluating Service Organization Controls (SOC) reports that cover financial, operational and security controls in place at the third party.

A motion was made, seconded and passed to approve the 2018 Internal Audit Charter as presented by KPMG.

Mr. Richmond introduced Daniel Clark, Interim Chief Information Officer, who provided a Cyber Security Program update that focused on health care industry trends and the on-going importance of a cyber security program and culture. Mr. Clark stated MetroHealth's education and awareness regarding utilizing email phishing simulation continues to show significant improvements. They continue to explore opportunities with potential partners to help complete a Cyber Maturity

Assessment that builds on previous cyber work and the formation of a Cyber Incident Response Team. An updated "Email use policy" has been recently completed and cyber education and training modules are in the process of being acquired and rolled out to employees.

A motion was made, seconded and passed to move the Committee into Executive Session to discuss trade secrets and litigation matters. The Committee returned to regular session at 3:47 p.m.

III. NON-CONSENT /ACTION ITEMS

A. No items at this time

IV. CONSENT ITEMS

A. A Recommendation to Approve Changes to the Hospital and Professional Charge Description Master (CDM) File

The Committee unanimously approved the recommendation for full Board action.

B. A Recommendation for Certain Amended Delegations Related to the Management and Control of the Hospital

The Committee unanimously approved the recommendation for full Board action.

C. A Recommendation for Acceptance of the 2017 Results Compared to the 2017 Plan Measures and Goals for Performance Based Variable Compensation Program

The Committee unanimously approved the recommendation for full Board action.

D. A Recommendation for Approval of 2018 Metrics for Performance Based Variable Compensation Plan

The Committee unanimously approved the recommendation for full Board action.

There being no further business to bring before the Committee, the meeting was adjourned at 3:55 p.m.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Craig Richmond', with a large, stylized loop at the end.

Craig Richmond
Executive Vice President and
Chief Financial Officer